



Meter Reader

A Monthly Analysis of Oil and Gas Stocks

March 14, 2017

Extra Inventory

	Symbol/Rating		Price	Market	Enterprise	EV/ Market	EV/ Ebitda	PV/ Ebitda	Oil Prod'n/ PV	Dist. Yield NTM	McDep Ratio (EV/PV)
			(US\$/sh) 13-Mar 2017								
Royal Dutch Shell	RDS-A	B	51.99	206,000	340,000	1.65	6.8	9.0	51	7.2	0.75
Total S.A.	TOT	B	50.04	122,000	182,000	1.50	6.2	9.5	55	5.3	0.65
Marathon Oil Corporation	MRO	B	15.84	13,420	21,200	1.58	10.7	12.4	90	1.3	0.86
ConocoPhillips	COP	B	45.84	57,000	93,000	1.64	9.6	12.7	73	2.3	0.76
Continental Resources (32%)	CLR	B	44.67	5,300	7,400	1.40	11.7	11.6	74	-	0.85
Range Resources	RRC	B	28.08	6,900	11,300	1.65	10.0	12.1	31	0.3	0.62
Dorchester Minerals, L.P.	DMLP	B	17.75	540	540	1.00	13.2	17.9	76	6.9	0.74
Sabine Royalty Trust	SBR	B	36.15	530	530	1.00	9.8	12.3	61	7.7	0.60
Suncor Energy	SU	B	30.08	50,100	67,100	1.34	8.2	11.1	86	3.2	0.74
Birchcliff Energy Ltd.	BIREF	B	5.15	1,400	2,000	1.42	7.5	12.4	36	1.1	0.60

Summary and Recommendation

Optimistic about the future performance of oil and gas stocks, we see lagging share prices in 2017 as indicative of greater future appreciation potential. Higher than normal crude oil inventory may be contributing to softening crude oil price that in turn influences share price (see chart [U.S. Crude Oil Stocks](#) on page 2). Within weeks, inventories may stop rising and start to turn down with demand gaining relative to supply. Oil exporters have apparently reduced supply by more than a million barrels daily in 2017 while U.S. producers have increased supply by perhaps 200,000 barrels daily, so far. Global demand growth may be a million barrels daily or more a year. It is a delicate balance that we believe favors firmer price as global economic activity picks up. At the same time, natural gas inventory corrected to normal with a cold December (see chart [Underground Storage](#) on page 2). It deviated again from normal with a warm February. Now with a cold March it may return to normal in the next few weeks. From a high near \$3.40 a million btu in January, natural gas price dropped to a low near \$2.40 in February and now is back above \$3.00 again. Oil production accounts for about 60% of value for the 24 stocks in our coverage. Buy recommendations concentrated more than 60% on oil include **Marathon Oil (MRO)**, **ConocoPhillips (COP)**, **Continental Resources (CLR)**, **Dorchester Minerals (DMLP)** **Sabine Royalty Trust (SBR)** and **Suncor (SU)** (see [Table 1](#) on page 3). Sharply lower than years ago, North American natural gas accounts for just 6% of value for stocks in our coverage. There is enormous energy value in natural gas priced at a third the heating equivalent of oil. Buy recommendations concentrated on natural gas include **Range Resources (RRC)** and **Birchcliff Energy (BIREF)**.

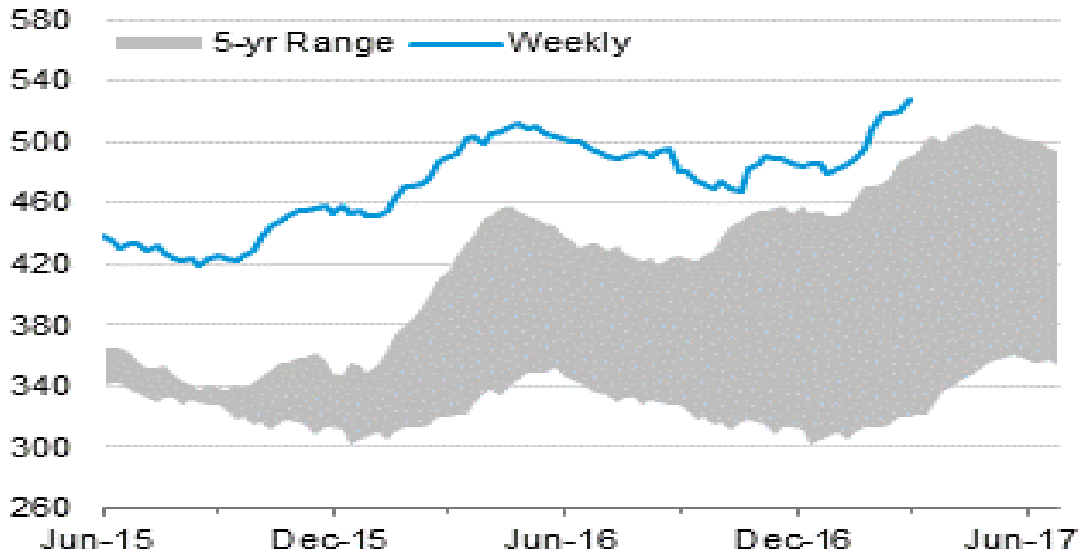
Kurt H. Wulff, CFA



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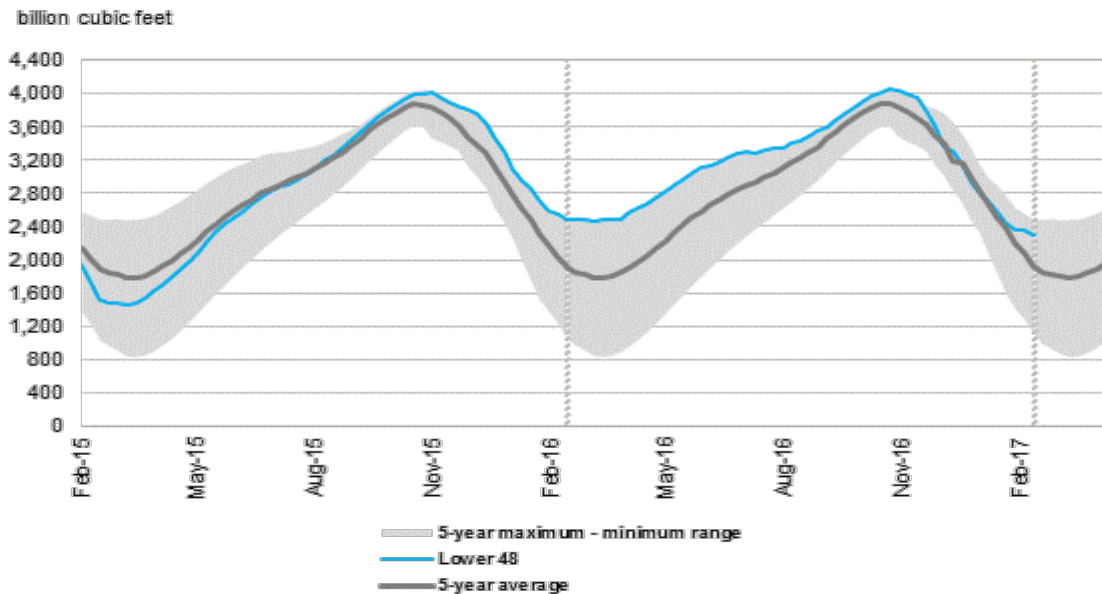
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U.S. crude oil stocks
 million barrels



Source: U.S. Energy Information Administration

Working gas in underground storage compared with the 5-year maximum and minimum



Source: U.S. Energy Information Administration



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Table 1
McDep Energy Stocks
Ranked by McDep Ratio

			Price (US\$/sh)	Market Cap (US\$mm)	Enterprise Value (\$mm)	EV/ Market Cap	EV/ Ebitda NTM	PV/ Ebitda NTM	Oil Prod'n/ PV (%)	Dist. Yield NTM (%)	McDep Ratio (EV/PV)
	Symbol/Rating	13-Mar 2017									
Global Integrated											
	Chevron Corporation	CVX	109.35	207,000	277,000	1.34	9.2	10.9	64	4.0	0.85
	Exxon Mobil Corporation	XOM	81.42	340,000	431,000	1.27	9.9	11.7	50	3.7	0.85
	Royal Dutch Shell	RDS-A B	51.99	206,000	340,000	1.65	6.8	9.0	51	7.2	0.75
	Total S.A.	TOT B	50.04	122,000	182,000	1.50	6.2	9.5	55	5.3	0.65
	<i>Total or Median</i>			875,000	1,230,000	1.42	8.0	10.2	53	4.6	0.80
Large Independent											
	EOG Resources, Inc.	EOG	94.95	53,800	60,900	1.13	12.3	13.2	86	0.7	1.10
	Devon Energy Corporation	DVN	40.96	21,600	29,900	1.39	13.2	12.0	63	0.6	0.93
	Occidental Petroleum Corp.	OXY	62.88	48,000	60,700	1.26	10.8	12.4	85	4.8	0.87
	Marathon Oil Corporation	MRO B	15.84	13,420	21,200	1.58	10.7	12.4	90	1.3	0.86
	ConocoPhillips	COP B	45.84	57,000	93,000	1.64	9.6	12.7	73	2.3	0.76
	<i>Total or Median</i>			193,800	266,000	1.39	10.8	12.4	85	1.3	0.87
Small Independent											
	Cimarex Energy Company	XEC	120.59	11,500	12,800	1.12	11.3	13.4	63	0.3	1.00
	Continental Resources (32%)	CLR B	44.67	5,300	7,400	1.40	11.7	11.6	74	-	0.85
	California Resources	CRC	15.24	600	6,800	10.69	9.0	14.4	88	-	0.82
	Whiting Petroleum Corporation	WLL	9.29	3,300	6,900	2.07	8.0	11.6	93	-	0.69
	Range Resources	RRC B	28.08	6,900	11,300	1.65	10.0	12.1	31	0.3	0.62
	<i>Total or Median</i>			28,000	45,000	1.65	10.0	12.1	74	-	0.82
Income											
	Permian Basin RT	PBT	9.05	420	420	1.00	9.1	17.4	79	6.8	0.82
	San Juan Basin Royalty Trust	SJT	6.41	300	300	1.00	13.1	21.7	-	9.7	0.80
	Dorchester Minerals, L.P.	DMLP B	17.75	540	540	1.00	13.2	17.9	76	6.9	0.74
	Sabine Royalty Trust	SBR B	36.15	530	530	1.00	9.8	12.3	61	7.7	0.60
	Cross Timbers Royalty Trust	CRT	15.10	90	90	1.00	13.5	16.4	28	10.3	0.52
	<i>Total or Median</i>			1,900	1,900	1.00	13.1	17.4	61	7.7	0.74
Canada											
	EnCana Corporation	ECA	10.64	10,300	16,900	1.64	11.1	10.7	56	0.6	1.04
	Imperial Oil Limited (30%)	IMO	30.58	7,800	9,800	1.26	9.0	10.7	63	1.5	0.84
	Suncor Energy	SU B	30.08	50,100	67,100	1.34	8.2	11.1	86	3.2	0.74
	Cenovus Energy Inc.	CVE	11.97	10,000	14,000	1.40	7.5	11.0	81	1.2	0.68
	Birchcliff Energy Ltd.	BIREF B	5.15	1,400	2,000	1.42	7.5	12.4	36	1.1	0.60
	<i>Total or Median</i>			80,000	110,000	1.40	8.2	11.0	63	1.2	0.74

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation, amort.

Estimated Ebitda (cash flow) tied to NTM futures prices for oil and natural gas. NTM = Next Twelve Months ending 3/31/18.

Estimated Present Value (PV) presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.00 a million btu.

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses. For historical research see www.mcdep.com



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Table 2											
McDep Energy Stocks											
Production Operating Leverage											
Ranked by McDep Ratio											
			<i>Price</i>		<i>Oil</i>	<i>Operating</i>					
	<i>Symbol/Rating</i>		<i>(US\$/sh)</i>	<i>Volume</i>	<i>Price</i>	<i>Expense</i>		<i>Ebitda</i>	<i>Ebitda</i>	<i>Oper Lev</i>	
	<i>B = Buy</i>	<i>13-Mar</i>	<i>2017</i>	<i>(mmboe)</i>	<i>(\$/boe)</i>	<i>(\$/boe)</i>	<i>(%)</i>	<i>NTM</i>	<i>NTM</i>	<i>Ebitda chg/</i>	<i>McDep</i>
								<i>(\$/boe)</i>	<i>(\$mm)</i>	<i>Price chg</i>	<i>Ratio</i>
Global Integrated (excl. Downstream)											
Chevron Corporation	CVX		109.35	912	37.15	8	22	21.00	19,153	1.38	0.85
Exxon Mobil Corporation	XOM		81.42	1,506	36.95	7	35	17.00	25,599	1.41	0.85
Royal Dutch Shell	RDS-A	B	51.99	1,357	35.09	2	26	24.10	32,715	1.08	0.75
Total S.A.	TOT	B	50.04	903	36.24	0	39	22.10	19,950	1.00	0.65
	<i>Total or Median</i>									<i>1.23</i>	<i>0.80</i>
Large Independent											
EOG Resources, Inc.	EOG		94.95	214	33.43	10	5	21.60	4,626	1.46	1.10
Devon Energy Corporation	DVN		40.96	163	24.62	9	3	14.90	2,433	1.60	0.93
Occidental Petroleum Corp.	OXY		62.88	281	33.83	8	17	20.10	5,650	1.40	0.87
Marathon Oil Corporation	MRO	B	15.84	146	29.26	13	9	13.60	1,990	1.96	0.86
ConocoPhillips	COP	B	45.84	564	31.09	6	25	17.30	9,755	1.35	0.76
	<i>Total or Median</i>									<i>1.46</i>	<i>0.87</i>
Small Independent											
Cimarex Energy Company	XEC		120.59	67	26.45	6	16	16.30	1,098	1.37	1.00
Continental Resources (32%)	CLR	B	44.67	27	31.41	3	14	24.00	653	1.13	0.85
California Resources	CRC		15.24	46	38.29	15	22	14.90	684	2.01	0.82
Whiting Petroleum Corporation	WLL		9.29	48	32.24	9	16	18.00	864	1.50	0.69
Range Resources	RRC	B	28.08	127	17.97	8	0	9.90	1,262	1.81	0.62
	<i>Total or Median</i>									<i>1.50</i>	<i>0.82</i>
Income											
Permian Basin RT	PBT		9.05	2	33.14	10	10	19.78	31	1.51	0.82
San Juan Basin Royalty Trust	SJT		6.41	3	16.39	5	15	8.97	30	1.56	0.80
Dorchester Minerals, L.P.	DMLP	B	17.75	2	30.13	7	9	20.35	41	1.34	0.74
Sabine Royalty Trust	SBR	B	36.15	2	30.14	2	9	25.35	40	1.08	0.60
Cross Timbers Royalty Trust	CRT		15.10	0	34.81	8	14	21.90	10	1.37	0.52
	<i>Total or Median</i>									<i>1.37</i>	<i>0.74</i>
Canada (excl. Downstream)											
EnCana Corporation	ECA		10.64	119	25.78	11	8	12.78	1,524	1.86	1.04
Imperial Oil Limited (30%)	IMO		30.58	71	33.14	14	12	15.30	1,093	1.92	0.84
Suncor Energy	SU	B	30.08	362	44.83	18	10	22.56	8,159	1.80	0.74
Cenovus Energy Inc.	CVE		11.97	117	27.84	11	3	16.01	1,876	1.69	0.68
Birchcliff Energy Ltd.	BIREF	B	5.15	22	18.89	1	32	11.90	263	1.08	0.60
	<i>Total or Median</i>									<i>1.80</i>	<i>0.74</i>
For historical research see www.mcdep.com											



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Table 3
McDep Energy Stocks
Net Present Value Per Share
Ranked by Reserve Life (Adjustd Resrvs/Prod NTM)

			Price (US\$/sh)	Shares	Debt (\$mm)	Dividend NTM (\$/sh)	P/E NTM	Down- stream/ PV (%)	Proven Undev. Resrvs (%)	Adjustd Resrvs/ Prod NTM	Net Present Value (US\$/sh)
	Symbol/Rating	13-Mar 2017		(mm)							
	B = Buy										
Global Integrated											
Exxon Mobil Corporation	XOM		81.42	4,176	91,439	3.00	23	28	31	11.2	100.00
Total S.A.	TOT	B	50.04	2,433	60,788	2.65	24	23	47	9.3	90.00
Chevron Corporation	CVX		109.35	1,890	69,941	4.32	30	19	32	9.2	135.00
Royal Dutch Shell	RDS-A	B	51.99	3,965	133,961	3.76	16	24	34	9.2	80.00
	<i>Median</i>									9.3	
Large Independent											
Marathon Oil Corporation	MRO	B	15.84	847	7,811	0.20		-	24	12.2	20.00
ConocoPhillips	COP	B	45.84	1,246	36,350	1.06		-	25	9.2	70.00
Devon Energy Corporation	DVN		40.96	527	8,317	0.24	87	9	20	9.2	45.00
Occidental Petroleum Corp.	OXY		62.88	764	12,700	3.04	71	9	23	8.9	75.00
EOG Resources, Inc.	EOG		94.95	567	7,107	0.67	306	-	30	7.5	85.00
	<i>Median</i>									9.2	
Small Independent											
Range Resources	RRC	B	28.08	244	4,483	0.08	22	-	44	12.3	56.00
Continental Resources (32%)	CLR	B	44.67	118	2,097	-		-	59	11.4	56.00
California Resources	CRC		15.24	42	6,200	-		-	29	10.6	50.00
Whiting Petroleum Corporation	WLL		9.29	358	3,579	-		-	53	9.5	18.00
Cimarex Energy Company	XEC		120.59	95	1,321	0.32	34	-	21	6.4	120.00
	<i>Median</i>									10.6	
Income											
Sabine Royalty Trust	SBR	B	36.15	15	-	2.77	13	-	5	10.1	60.00
San Juan Basin Royalty Trust	SJT		6.41	47	-	0.62	10	-	-	9.9	8.00
Permian Basin RT	PBT		9.05	47	-	0.62	15	-	-	8.6	11.00
Cross Timbers Royalty Trust	CRT		15.10	6	-	1.56	10	-	-	7.5	29.00
Dorchester Minerals, L.P.	DMLP	B	17.75	31	-	1.22	18	-	-	6.9	24.00
	<i>Median</i>									8.6	
Canada											
Suncor Energy	SU	B	30.08	1,666	17,018	0.95	25	14	46	20.4	44.00
Cenovus Energy Inc.	CVE		11.97	833	4,018	0.15		9	76	15.7	20.00
Birchcliff Energy Ltd.	BIREF	B	5.15	269	583	0.06	23	-	69	13.1	10.00
Imperial Oil Limited (30%)	IMO		30.58	255	2,019	0.45	15	36	23	10.1	38.00
EnCana Corporation	ECA		10.64	973	6,629	0.06		-	43	5.2	10.00
	<i>Median</i>									13.1	

P/E = Stock Price to Earnings. For historical research see www.mcdep.com.



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Table 4										
McDep Energy Stocks										
Total Return Year-to-Date 2017										
Ranked by Unlevered Total Return										
			Price (\$/sh)	Price (\$/sh)	Price Change (%)	Cash Distrib. (%)	Equity Total Return (%)	Unlevered Total Debt Return (\$/sh) (%)		
	Symbol/Ratio		13-Mar 2017	30-Dec 2016						McDep Ratio
Global Integrated										
Total S.A.	TOT	B	50.04	50.97	(2)	-	(2)	25	(1)	0.65
Royal Dutch Shell	RDS-A	B	51.99	54.38	(4)	-	(4)	34	(3)	0.75
Chevron Corporation	CVX		109.35	117.70	(7)	-	(7)	37	(5)	0.85
Exxon Mobil Corporation	XOM		81.42	90.26	(10)	-	(10)	22	(8)	0.85
	<i>Median</i>				(6)		(6)		(4)	0.80
Large Independent										
EOG Resources, Inc.	EOG		94.95	101.10	(6)	0.2	(6)	13	(5)	1.10
ConocoPhillips	COP	B	45.84	50.14	(9)	-	(9)	29	(5)	0.76
Marathon Oil Corporation	MRO	B	15.84	17.31	(8)	-	(8)	9	(6)	0.86
Devon Energy Corporation	DVN		40.96	45.67	(10)	-	(10)	16	(8)	0.93
Occidental Petroleum Corp.	OXY		62.88	71.23	(12)	-	(12)	17	(10)	0.87
	<i>Median</i>				(9)		(9)		(6)	0.87
Small Independent										
California Resources	CRC		15.24	21.29	(28)	-	(28)	147	(4)	0.82
Continental Resources (32%)	CLR	B	44.67	51.54	(13)	-	(13)	18	(10)	0.85
Cimarex Energy Company	XEC		120.59	135.90	(11)	-	(11)	14	(10)	1.00
Range Resources	RRC	B	28.08	34.36	(18)	-	(18)	18	(12)	0.62
Whiting Petroleum Corporation	WLL		9.29	12.02	(23)	-	(23)	10	(12)	0.69
	<i>Median</i>				(18)		(18)		(10)	0.82
Income										
Permian Basin RT	PBT		9.05	7.71	17	0.8	18	-	18	0.82
Sabine Royalty Trust	SBR	B	36.15	35.15	3	0.4	3	-	3	0.60
Dorchester Minerals, L.P.	DMLP	B	17.75	17.55	1	1.4	3	-	3	0.74
San Juan Basin Royalty Trust	SJT		6.41	6.62	(3)	0.9	(2)	-	(2)	0.80
Cross Timbers Royalty Trust	CRT		15.10	17.97	(16)	0.5	(15)	-	(15)	0.52
	<i>Median</i>				1		3		3	0.74
Canada										
EnCana Corporation	ECA		10.64	11.74	(9)	-	(9)	7	(6)	1.04
Suncor Energy	SU	B	30.08	32.69	(8)	-	(8)	10	(6)	0.74
Imperial Oil Limited (30%)	IMO		30.58	34.76	(12)	-	(12)	8	(10)	0.84
Cenovus Energy Inc.	CVE		11.97	15.13	(21)	-	(21)	5	(16)	0.68
Birchcliff Energy Ltd.	BIREF	B	5.15	7.01	(26)	-	(26)	2	(20)	0.60
	<i>Median</i>				(12)		(12)		(10)	0.74
	<i>Grand Median</i>				(10)		(10)		(6)	0.81
Natural Gas (\$/mmbtu)										
			3.01	3.74	(20)					
Oil - West Texas Intermediate (\$/bbl)										
			48.41	53.72	(10)					
Total Stock Market - U.S.	VTI		122.13	115.32	6					
Developed Markets - ex US	VEA		38.81	36.54	6					
Emerging Markets	VWO		39.14	35.78	9					

Source: McDep LLC, Yahoo, CME Group, Bloomberg

For historical research see www.mcdep.com



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Index of Recent Research				
<i>Date</i>	<i>Series</i>	<i>Symbol</i>	<i>Subject</i>	<i>Theme</i>
3-Mar	ISI	DMLP	Dorchester Minerals, L.P.	Shale Oil Royalties Rising
26-Feb	II	CLR, CRC, RRC, WLL, XEC		Small Cap Producers Rising Again
21-Feb	ISI	MRO	Marathon Oil	A Third, a Third, a Third
14-Feb	Meter Reader			Non-U.S. Buys at Low McDep Ratio
6-Feb	ISI	COP	ConocoPhillips	Steady Volume
3-Feb	ISI	RDS	Royal Dutch Shell	BG Paying Off
1-Feb	ISI	XOM	Exxon Mobil	Looking to New Leader
30-Jan	ISI	CVX	Chevron	LNG and Permian Positives
17-Jan	Meter Reader			Buy Stocks with Low McDep Ratio
31-Dec	Meter Reader		Year-End Special with New Tables	Natural Gas Storage Trend Reverses
13-Dec	Meter Reader			Optimistic Outlook 2017
6-Dec	II	XOM, RDS, CVX, TOT		Total Return Upside
28-Nov	II	COP, DVN, EOG, MRO, OXY		Permian Players
22-Nov	II	CRT, DMLP, PBT, SBR, SJT		Income Payers Sparkle
15-Nov	Meter Reader			Growth, Inflation and Trump
9-Nov	ISI	ECA	Encana Corporation	Raise NPV to US\$10 from US\$6
31-Oct	ISI	SU	Suncor Energy Inc.	Raise NPV to US\$44 from US\$35
27-Oct	ISI	RRC	Range Resources	New Buy on Higher NPV of \$56
20-Oct	ISI	SJT	San Juan Basin Royalty Trust	Vote Proxy for Less Conflict, More Competence
18-Oct	ISI	CRC	California Resources	Option on Oil Price
14-Oct	ISI	CVX	Chevron	Oilier Global Integrated
11-Oct	Meter Reader			Canada Comeback
4-Oct	ISI	COP	ConocoPhillips	Pure Play Producer
24-Sep	ISI	SJT	San Juan Basin Royalty Trust	Rising from the Dead---Again
13-Sep	Meter Reader			Permian Surprises
6-Sep	ISI	DVN	Devon Energy	Raise NPV to \$45 from \$33 on Stress Test Success
30-Aug	ISI	SBR	Sabine Royalty Trust	Long-Life Top Line Cash Payer
21-Aug	ISI	BIREF	Birchcliff Energy	Canadian Independent Producer Transformed
17-Aug	ISI	SJT	San Juan Basin Royalty Trust	Preliminary Filing to Replace Trustee
16-Aug	Meter Reader			The Money Glut
11-Aug	ISI	XEC	Cimarex Energy	Raise NPV to \$120 from \$90
1-Aug	II	XOM, RDS, CVX, TOT		Real Return Standouts
1-Aug	ISI	WLL	Whiting Petroleum	Remove Buy Designation
22-Jul	II	CRT, DMLP, PBT, SBR, SJT		Income Payers in Uptrend
12-Jul	Meter Reader			Mid-Year Strategy
7-Jul	ISI	XOM	Exxon Mobil	Durable Real Return
22-Jun	ISI	BIREF	Birchcliff Energy	Half Billion Dollar Deal with Encana
21-Jun	ISI	SJT	San Juan Basin Royalty Trust	Record Administrative Costs
21-Jun	ISI	PBT	Permian Basin Royalty Trust	Raise Distribution to 9%
14-Jun	Meter Reader			Good Year for Oil and Gas
10-Jun	ISI	SU	Suncor Energy Inc.	Revitalized after Wildfire
7-Jun	ISI	WLL	Whiting Petroleum	Looking Up Again
				MR = Meter Reader (published monthly on or about second or third Tuesday)
				ISI = Independent Stock Idea
				II = Industry Idea
				For historical research by stock, go to mcdep.com , click on Stock Ideas , click on stock by name.



McDEP
LLC

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A Monthly Analysis of Oil and Gas Stocks

March 14, 2017

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